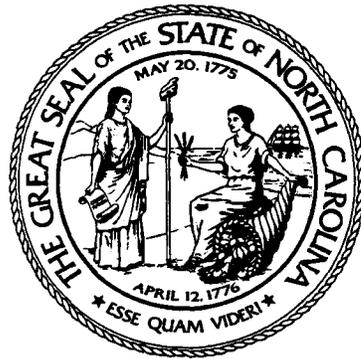


**LEGISLATIVE RESEARCH COMMISSION**

**LIEN LAWS STUDY COMMITTEE**



**REPORT TO THE  
1995 GENERAL ASSEMBLY  
OF NORTH CAROLINA  
1996 REGULAR SESSION**

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TABLE OF CONTENTS

LETTER OF TRANSMITTAL..... i

LEGISLATIVE RESEARCH COMMISSION MEMBERSHIP..... ii

PREFACE..... 1

COMMITTEE PROCEEDINGS..... 2

FINDINGS AND RECOMMENDATIONS..... 4

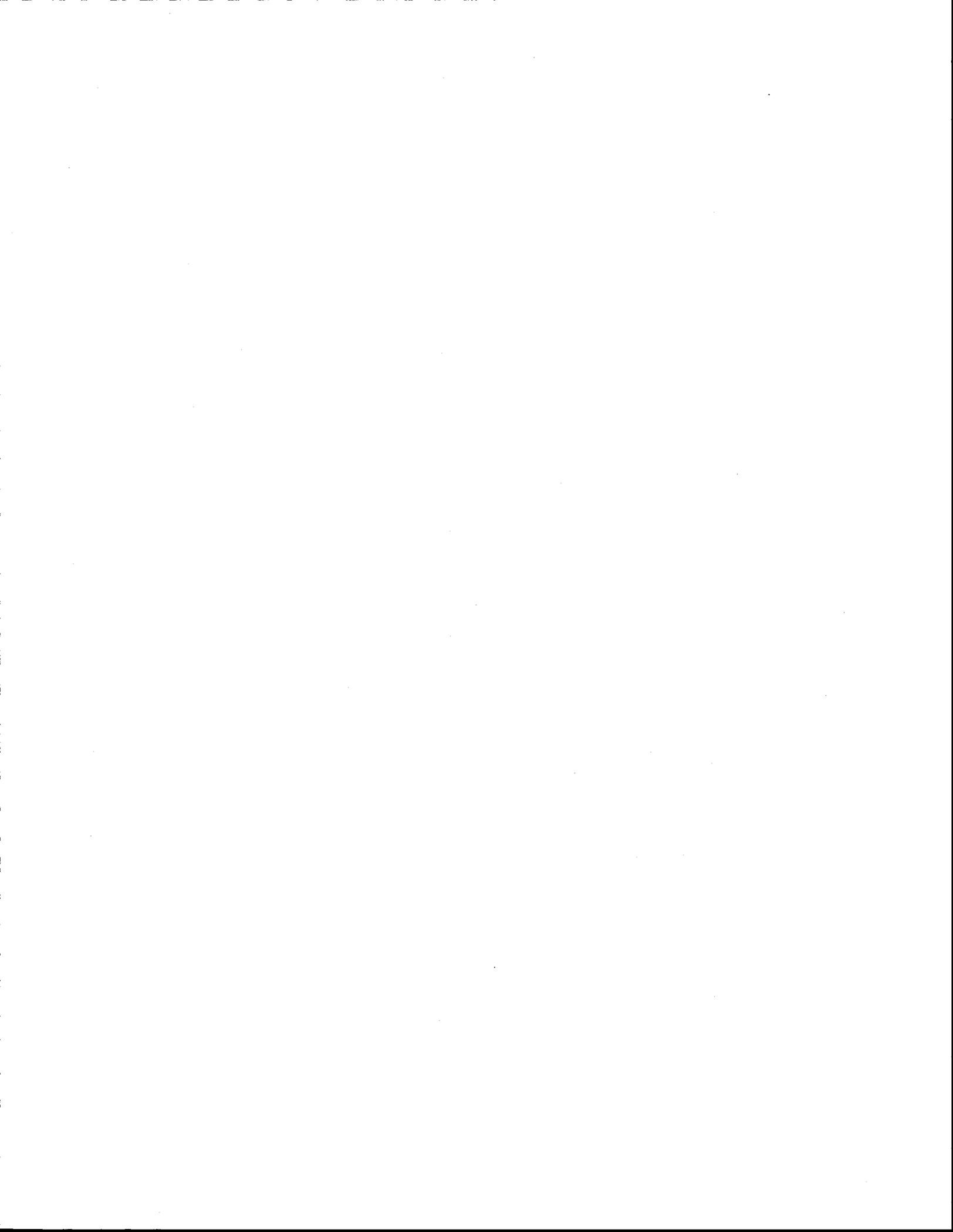
APPENDICES

RELEVANT PORTIONS OF CHAPTER 542  
OF THE 1995 SESSION LAWS, THE STUDIES BILL..... A-1

MEMBERSHIP OF THE LRC COMMITTEE ON  
LIEN LAWS..... B-1

LEGISLATIVE PROPOSAL I -- A BILL TO BE ENTITLED  
AN ACT TO PROVIDE FOR LIEN RIGHTS FOR PERSONS WHO FABRICATE DIES,  
MOLDS, FORMS, OR PATTERNS AND WHO FABRICATE PRODUCTS FROM DIES,  
MOLDS, FORMS, OR PATTERNS  
AND A SECTION-BY-SECTION ANALYSIS OF THE BILL..... C-1

LEGISLATIVE PROPOSAL II - A BILL TO BE ENTITLED  
AN ACT TO PROVIDE LIENS ON REAL PROPERTY FOR THE FURNISHING OF  
RENTAL EQUIPMENT  
AND A SECTION-BY-SECTION ANALYSIS OF THE BILL ..... D-1



STATE OF NORTH CAROLINA  
LEGISLATIVE RESEARCH COMMISSION  
STATE LEGISLATIVE BUILDING  
RALEIGH 27611



May 1, 1996

TO THE MEMBERS OF THE 1995 GENERAL ASSEMBLY (REGULAR SESSION 1996):

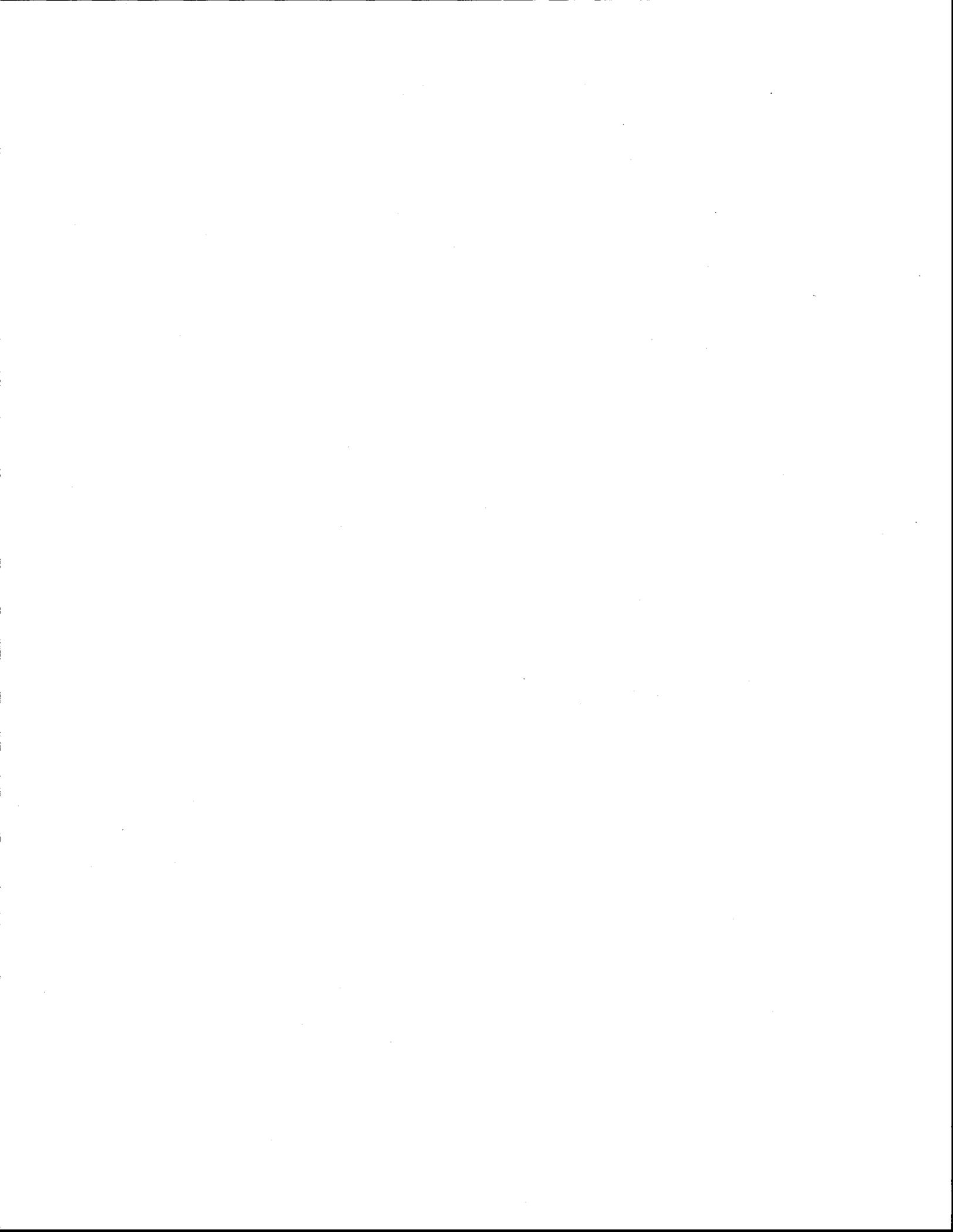
The Legislative Research Commission herewith submits to you for your consideration its interim report on lien laws. The report was prepared by the Legislative Research Commission's Committee on Lien Laws pursuant to G.S. 120-30.17(1).

Respectfully submitted,

  
Harold V. Brubaker  
Speaker of the House

  
Marc Basnight  
President Pro Tempore

Cochairs  
Legislative Research Commission



1995-1996

LEGISLATIVE RESEARCH COMMISSION

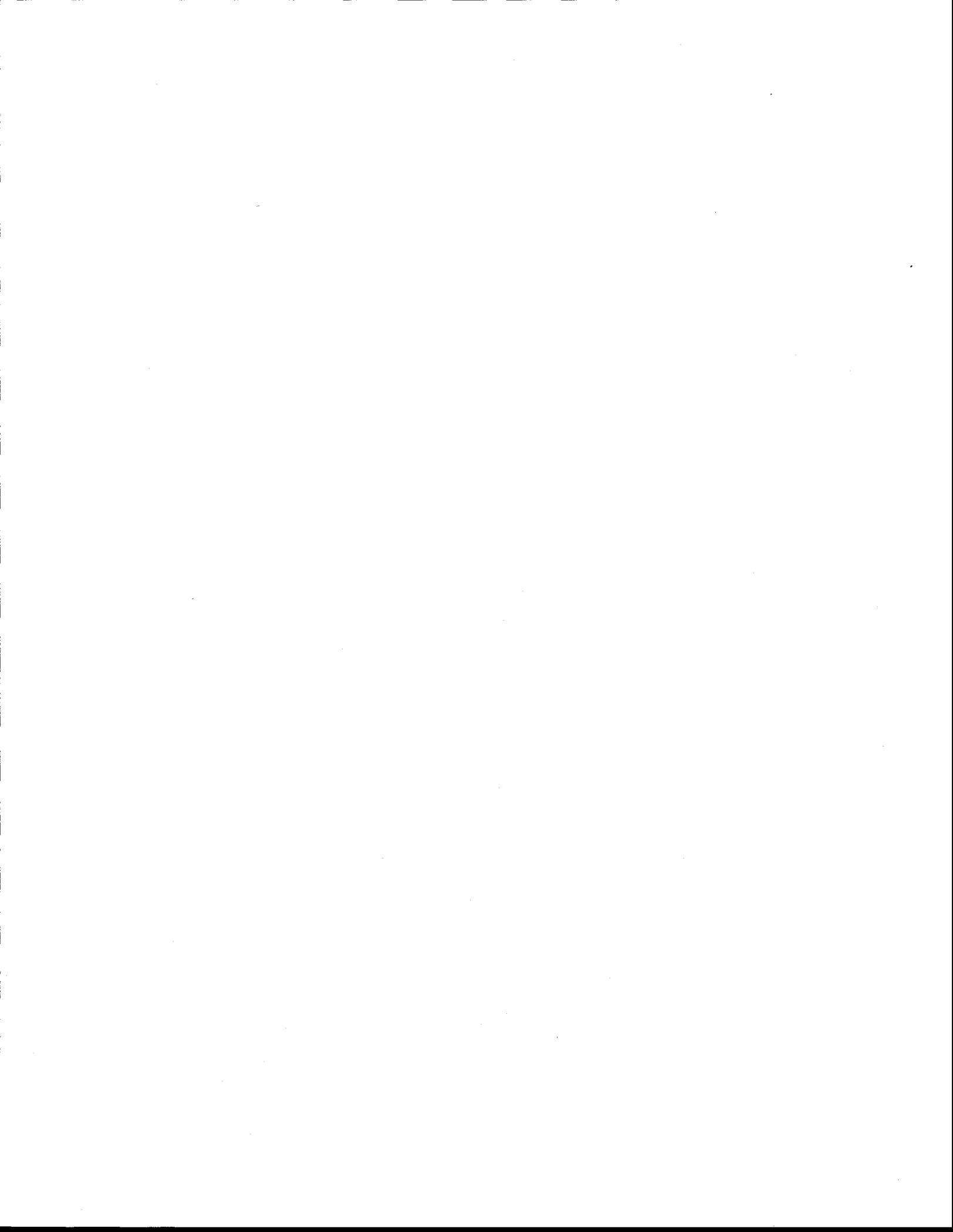
MEMBERSHIP

President Pro Tempore of  
the Senate  
Marc Basnight, Cochair

Senator Frank W. Ballance, Jr.  
Senator R. L. Martin  
Senator Henry McKoy  
Senator J. K. Sherron, Jr.  
Senator Ed N. Warren

Speaker of the House  
of Representatives  
Harold J. Brubaker, Cochair

Rep. Jerry C. Dockham  
Rep. Larry Linney  
Rep. Edd Nye  
Rep. Gregory J. Thompson  
Rep. Constance K. Wilson



## PREFACE

The Legislative Research Commission, established by Article 6B of Chapter 120 of the General Statutes, is the general purpose study group in the Legislative Branch of State Government. The Commission is Cochaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed by each house of the General Assembly. Among the commission's duties is that of making or causing to be made, upon the direction of the General Assembly "such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

The Legislative Research Commission, prompted by actions during the 1995 Session, has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of study. The Cochairs of the Legislative Research Commission, under the authority of G.S. 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Cochairs, one from each house of the General Assembly, were designated for each committee.

The study of Lien Laws was authorized by Subdivisions (15) and (16) of Section 2.1 of Part II of Chapter 542 of the 1995 Session Laws. Appendix A. Part II of Chapter 542 would allow studies authorized by that Part for the Legislative Research Commission to consider Senate Bill 434 and House Bill 617 in determining the nature, scope, and aspects of the study.

The Legislative Research Commission authorized this study in the fall of 1995 under the authority of G.S. 120-30.17(1) and grouped this study in its Property Issues Grouping under the direction of Representative Larry R. Linney.

The Committee was chaired by Representative William E. McMahan and Senator R. C. Soles, Jr. The full membership of the Committee is listed in Appendix B of this report. A Committee notebook containing the Committee minutes and all information presented to the Committee is filed in the Legislative Library.

## COMMITTEE PROCEEDINGS

The Legislative Research Commission's Lien Laws Study Committee met three times before the 1996 Regular Session of the 1995 General Assembly.

The first meeting of the Committee took place on February 15, 1996. Committee Counsel, Steven Rose, reviewed the charge to the Committee. He presented a budget to the Committee, which was adopted.

The Committee Counsel also reviewed the reporting dates for Legislative Research Commission Committees. Because of the time remaining for the report to the 1996 Session, and because the parties concerned with the major rewrite of the lien laws, as contained in Senate Bill 434, were unable to come to an agreement on the rewrite, it was determined that the Committee would focus on the Mold Lien Act, as proposed in House Bill 617, and on the question of amending the Construction Lien Law Act to clarify that people who rent equipment to contractors and subcontractors for use on construction jobs are entitled to a lien.

The Committee began a review of the Mold Lien Act, House Bill 617. This would allow persons who fabricate dies, molds, forms, or patterns, or who fabricate products from those items, for another, to have a lien on the mold, die, pattern, or form to secure payment of the unpaid contract price from the owner. These liens would not take priority over a previously perfected security interest. It was pointed out that these are possessory liens, that is, they exist for so long as the lienor retains possession of the item against which the lien is claimed.

The Committee heard from Rudy Underwood, Director of Governmental Affairs in the Southern Region for the American Plastics Council. He explained the use of molds in the manufacture of plastic components, and explained the need of those in the industry to have some degree of protection in collection of obligations that are due them.

After a thorough discussion by the Committee, the Committee adopted a recommendation that a Mold Lien Act, as set forth in Appendix C, be recommended to the 1996 Session of the General Assembly.

The second meeting of the Committee took place on March 14, 1996. The focus of this meeting was a discussion of whether lien rights should be extended to those who rent equipment to contractors and subcontractors performing improvements on real property.

Committee Counsel, Steven Rose, explained to the Committee that until the North Carolina Court of Appeals decision in Southeastern Steel Erectors, Inc. v. INCO, Inc., 108 N.C.App. 429 (1993), many people in the business of

leasing equipment to contractors and subcontractors thought they had the right to a lien under the current statutes. The Court of Appeals said this was not so because the rental of construction equipment did not fit any of the descriptions of items for which liens are afforded under Article 2 of Chapter 44A of the General Statutes. Committee Counsel presented a draft of a bill which would amend Article 2 of Chapter 44A to extend lien rights to those who furnish rental equipment to an owner, to a contractor, or to a subcontractor, for the making of an improvement on real property.

After discussion, and some minor changes, the Committee voted that the bill set forth in Appendix D of this report be recommended to the 1996 Session of the Legislature.

The Committee also heard from attorney Leon Killian, representing the North Carolina Land Title Association. He expressed a continued interest in the legislation embodied in Senate Bill 434, which made other changes in the lien laws. He hoped that the interested parties would be able to get together on those changes so that further study could proceed after the 1996 Session.

The third, and final meeting before the 1996 Session, took place on April 10, 1996. The purpose of this meeting was to consider and adopt the Committee's report for transmittal to the Legislative Research Commission. A draft of the report had been sent to the Committee members in accordance with Rule 7(a) of the Legislative Research Commission rules. After discussion, the Committee voted to transmit this report to the Legislative Research Commission as the report of this Committee.

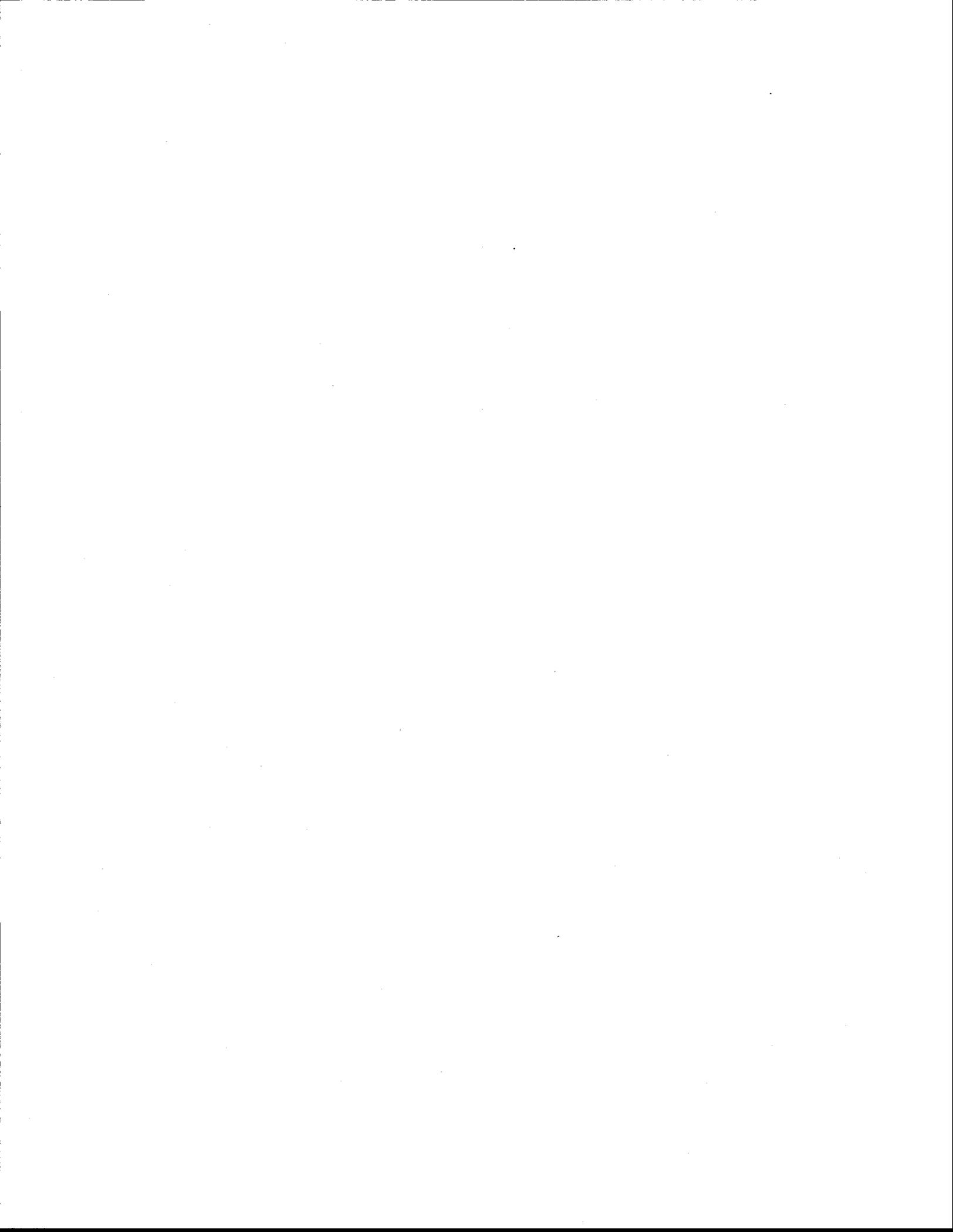
## FINDINGS AND RECOMMENDATIONS

The Committee finds that persons who fabricate molds, patterns, dies, and forms, and persons who manufacture objects from molds, dies, patterns and forms, need additional assurance of the ability to collect certain financial obligations due them. The Committee finds that the most appropriate way of extending this protection is through a possessory lien on those molds, dies, patterns and forms.

The Committee also finds that there is a need to protect the interests of those who rent equipment used in the improvement of real property by providing a lien in the same way a lien is provided to those who supply labor, materials, and professional or skilled services including architects, engineers, land surveyors, and landscape architects.

The Committee recommends that the legislation appearing in this report in Appendix C and Appendix D be recommended to, and adopted by, the 1995 General Assembly, 1996 Regular Session.

**APPENDIX A**



**APPENDIX A**

**CHAPTER 542**

AN ACT TO AUTHORIZE STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, TO CREATE AND CONTINUE VARIOUS COMMISSIONS, TO DIRECT STATE AGENCIES AND LEGISLATIVE OVERSIGHT COMMITTEES AND COMMISSIONS TO STUDY SPECIFIED ISSUES, TO MAKE VARIOUS STATUTORY CHANGES, AND TO MAKE TECHNICAL CORRECTIONS TO CHAPTER 507 OF THE 1995 SESSION LAWS.

The General Assembly of North Carolina enacts:

**PART I.-----TITLE**

Section 1. This act shall be known as "The Studies Act of 1995".

**PART II.-----LEGISLATIVE RESEARCH COMMISSION**

Sec. 2.1. The Legislative Research Commission may study the topics listed below. When applicable, the 1995 bill or resolution that originally proposed the issue or study and the name of the sponsor is listed. The Commission may consider the original bill or resolution in determining the nature, scope, and aspects of the study. The topics are:

- . . . (15) Lien laws (S.B. 434 - Hartsell, Soles, and Cooper)
- (16) Mold Lien Act (H.B. 617 - McMahan) . . .

Sec. 2.8. Committee Membership. For each Legislative Research Commission committee created during the 1995-96 biennium, the cochairs of the Legislative Research Commission shall appoint the committee membership.

Sec. 2.9. Reporting Dates. For each of the topics the Legislative Research Commission decides to study under this act or pursuant to G.S. 120-30.17(1), the Commission may report its findings, together with any recommended legislation, to the 1996 Regular Session of the 1995 General Assembly, if approved by the cochairs, or the 1997 General Assembly, or both.

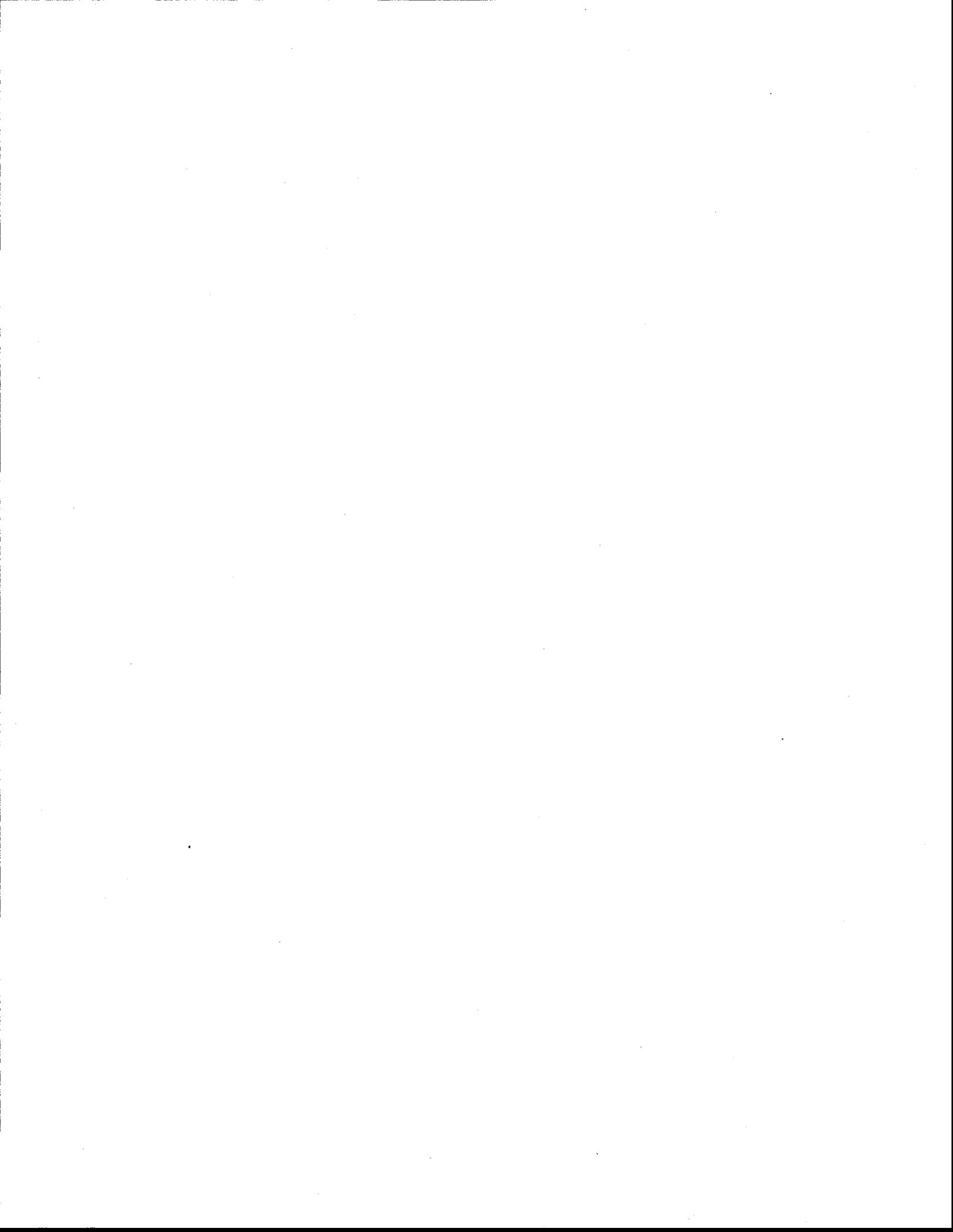
Sec. 2.10. Bills and Resolution References. The listing of the original bill or resolution in this Part is for reference purposes only and shall not be deemed to have incorporated by reference any of the substantive provisions contained in the original bill or resolution.

Sec. 2.11. Funding. From the funds available to the General Assembly, the Legislative Services Commission may allocate additional monies to fund the work of the Legislative Research Commission....

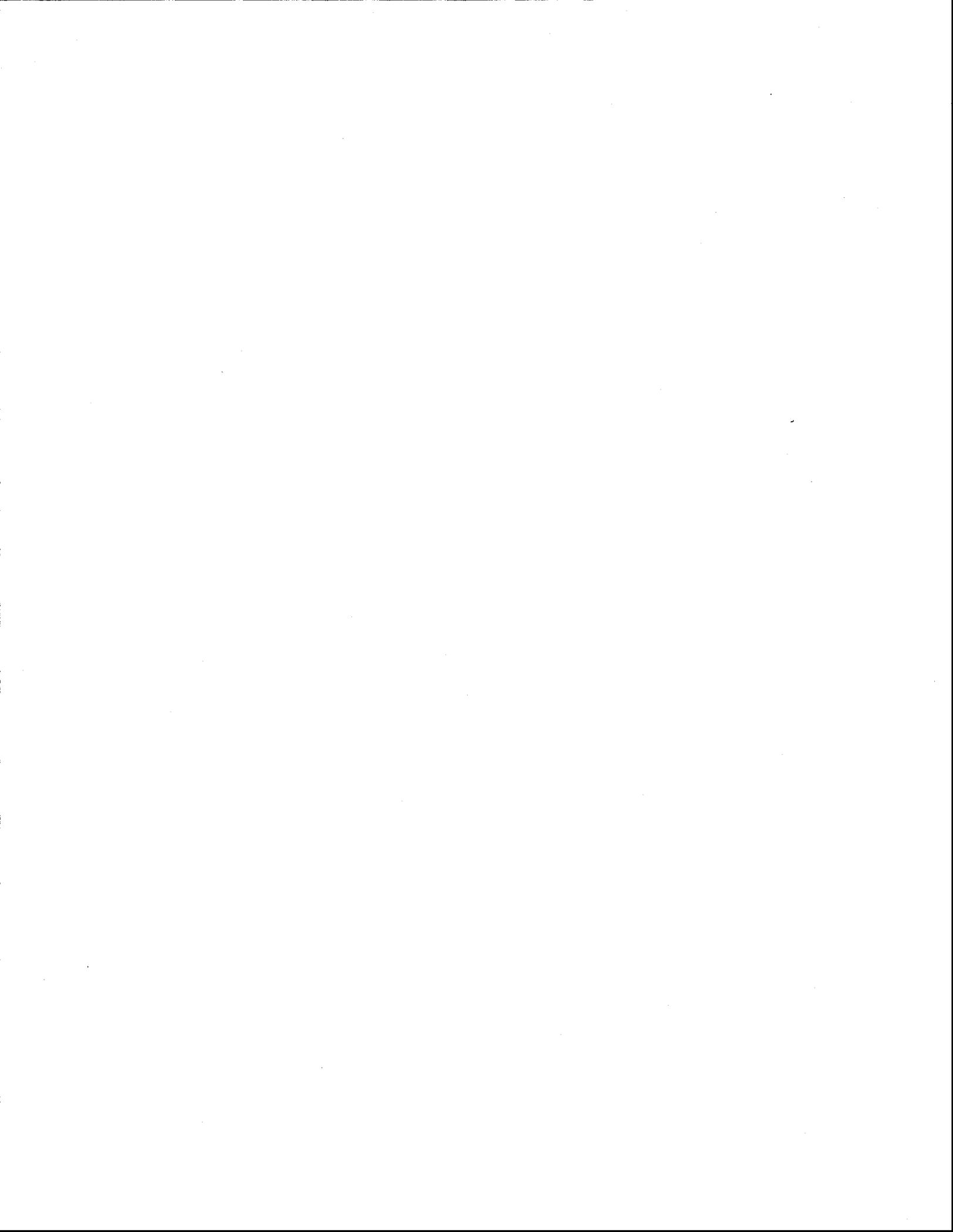
....

**PART XXVI.-----EFFECTIVE DATE**

Sec. 26.1. This act is effective upon ratification.



**APPENDIX B**



**LIEN LAWS COMMITTEE  
MEMBERSHIP  
1995 - 1996**

**LRC Member:** Representative Larry R. Linney  
PO Box 7628  
Asheville, NC 28802

**President Pro Tempore Appointments**

Sen. R.C. Soles, Jr., Cochair  
PO Box 6  
Tabor City, NC 28463  
(910) 653-2015

Mr. Jim Boniface  
Freeman & White Architects  
8001 Arrow Ridge Boulevard  
Charlotte, NC 28273

Sen. Fletcher L. Hartsell, Jr.  
PO Box 368  
Concord, NC 28026-0368  
(704) 786-5161

Sen. Hamilton C. Horton, Jr.  
324 North Spring Street  
Winston-Salem, NC 27101  
(910) 773-1324

Sen. Luther H. Jordan, Jr.  
PO Box 701  
306 South 7th Street  
Wilmington, NC 28402  
(910) 763-2441

**Staff:**

Mr. Steve Rose  
Mr. Walker Reagan  
Research Division  
(919) 733-2578

**Speaker's Appointments**

Rep. William E. McMahan, Cochair  
5815 Westpark Drive  
Charlotte, NC 28217  
(704) 561-3402

Rep. Daniel T. Blue  
PO Box 1730  
Raleigh, NC 27602  
(919) 833-1931

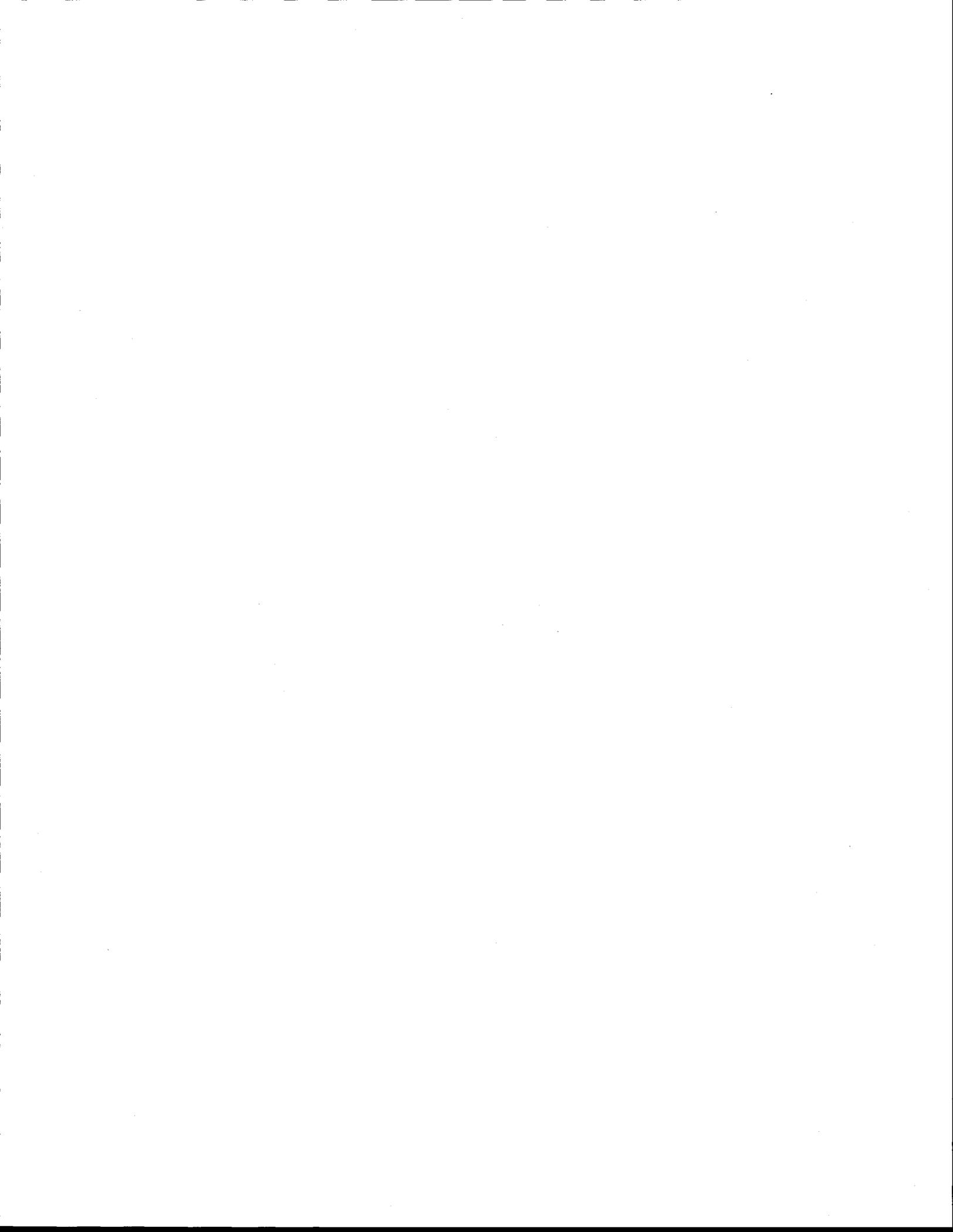
Rep. Charles F. Buchanan  
Route 1, Box 273  
Green Mountain, NC 28740  
(704) 688-3544

Rep. Jack Hunt  
PO Box 277  
Lattimore, NC 28089  
(704) 434-6853

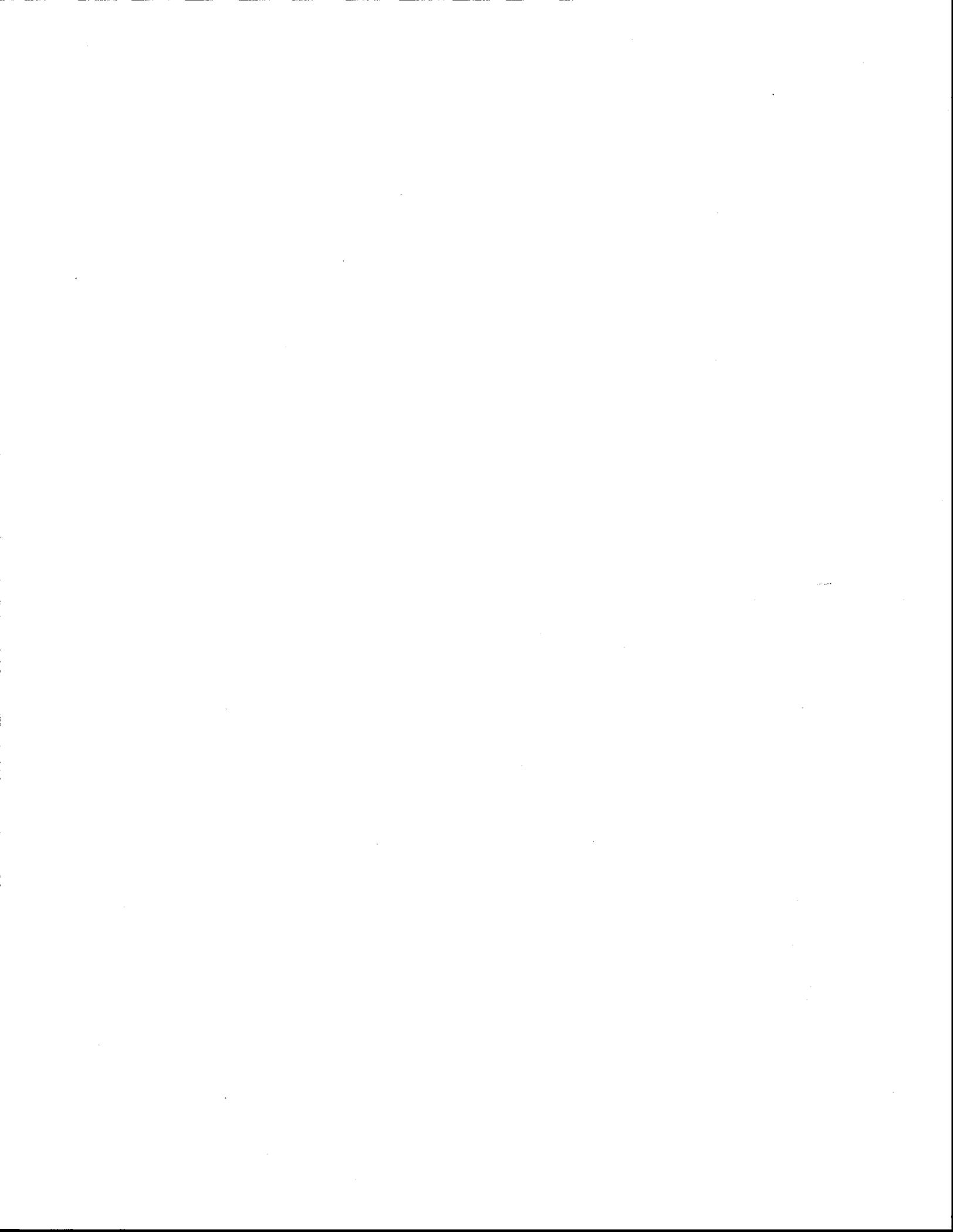
Rep. W. Eugene McCombs  
PO Box 132  
Faith, NC 28041  
(704) 279-2128

**Clerk:**

Ms. Anna Kidd  
(919) 733-5935  
(919) 847-3789



**APPENDIX C**



APPENDIX C  
LEGISLATIVE PROPOSAL 1

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

D

96C-RLZ-001

THIS IS A DRAFT 28-MAR-96 17:41:30  
ATTENTION: LINE NUMBERS MAY CHANGE AFTER ADOPTION

Short Title: Mold Lien Act.

(Public)

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Sponsors:

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Referred to:

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1 A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE FOR LIEN RIGHTS FOR PERSONS WHO FABRICATE DIES,  
3 MOLDS, FORMS, OR PATTERNS AND WHO FABRICATE PRODUCTS FROM DIES,  
4 MOLDS, FORMS, OR PATTERNS.  
5 The General Assembly of North Carolina enacts:  
6 Section 1. G.S. 44A-2 reads as rewritten:  
7 "§ 44A-2. Persons entitled to lien on personal property.  
8 (a) Any person who tows, alters, repairs, stores, services,  
9 treats, or improves personal property other than a motor vehicle  
10 in the ordinary course of his business pursuant to an express or  
11 implied contract with an owner or legal possessor of the personal  
12 property has a lien upon the property. The amount of the lien  
13 shall be the lesser of  
14 (1) The reasonable charges for the services and  
15 materials; or  
16 (2) The contract price; or  
17 (3) One hundred dollars (\$100.00) if the lienor has  
18 dealt with a legal possessor who is not an owner.  
19 This lien shall have priority over perfected and unperfected  
20 security interests.  
21 (b) Any person engaged in the business of operating a hotel,  
22 motel, or boardinghouse has a lien upon all baggage, vehicles and

1 other personal property brought upon his premises by a guest or  
2 boarder who is an owner thereof to the extent of reasonable  
3 charges for the room, accommodations and other items or services  
4 furnished at the request of the guest or boarder. This lien shall  
5 not have priority over any security interest in the property  
6 which is perfected at the time the guest or boarder brings the  
7 property to said hotel, motel or boardinghouse.

8 (c) Any person engaged in the business of boarding animals has  
9 a lien on the animals boarded for reasonable charges for such  
10 boarding which are contracted for with an owner or legal  
11 possessor of the animal. This lien shall have priority over  
12 perfected and unperfected security interests.

13 (d) Any person who repairs, services, tows, or stores motor  
14 vehicles in the ordinary course of his business pursuant to an  
15 express or implied contract with an owner or legal possessor of  
16 the motor vehicle has a lien upon the motor vehicle for  
17 reasonable charges for such repairs, servicing, towing, storing,  
18 or for the rental of one or more substitute vehicles provided  
19 during the repair, servicing, or storage. This lien shall have  
20 priority over perfected and unperfected security interests.

21 (e) Any lessor of nonresidential demised premises has a lien  
22 on all furniture, furnishings, trade fixtures, equipment and  
23 other personal property to which the tenant has legal title and  
24 which remains on the demised premises if (i) the tenant has  
25 vacated the premises for 21 or more days after the paid rental  
26 period has expired, and (ii) the lessor has a lawful claim for  
27 damages against the tenant. If the tenant has vacated the  
28 premises for 21 or more days after the expiration of the paid  
29 rental period, or if the lessor has received a judgment for  
30 possession of the premises which is executable and the tenant has  
31 vacated the premises, then all property remaining on the premises  
32 may be removed and placed in storage. If the total value of all  
33 property remaining on the premises is less than one hundred  
34 dollars (\$100.00), then it shall be deemed abandoned five days  
35 after the tenant has vacated the premises, and the lessor may  
36 remove it and may donate it to any charitable institution or  
37 organization. Provided, the lessor shall not have a lien if there  
38 is an agreement between the lessor or his agent and the tenant  
39 that the lessor shall not have a lien. This lien shall be for the  
40 amount of any rents which were due the lessor at the time the  
41 tenant vacated the premises and for the time, up to 60 days, from  
42 the vacating of the premises to the date of sale; and for any  
43 sums necessary to repair damages to the premises caused by the  
44 tenant, normal wear and tear excepted; and for reasonable costs

1 and expenses of sale. The lien created by this subsection shall  
2 be enforced by sale at public sale pursuant to the provisions of  
3 G.S. 44A-4(e). This lien shall not have priority over any  
4 security interest in the property which is perfected at the time  
5 the lessor acquires this lien.

6 (e) This Article shall not apply to liens created by storage  
7 of personal property at a self-service storage facility.

8 (f) Any person who improves any textile goods in the ordinary  
9 course of his business pursuant to an express or implied contract  
10 with the owner or legal possessor of such goods shall have a lien  
11 upon all goods of such owner or possessor in his possession for  
12 improvement. The amount of such lien shall be for the entire  
13 unpaid contracted charges owed such person for improvement of  
14 said goods including any amount owed for improvement of goods,  
15 the possession of which may have been relinquished, and such lien  
16 shall have priority over perfected and unperfected security  
17 interests. "Goods" as used herein includes any textile goods,  
18 yarns or products of natural or man-made fibers or combination  
19 thereof. "Improve" as used herein shall be construed to include  
20 processing, fabricating or treating by throwing, spinning,  
21 knitting, dyeing, finishing, fabricating or otherwise.

22 (g) Any person who fabricates, casts, or otherwise makes a  
23 die, mold, form, or pattern, or who uses a die, mold, form, or  
24 pattern to manufacture, assemble, or otherwise make a product  
25 pursuant to an express or implied contract with the owner of such  
26 die, mold, form, or pattern shall have a lien upon such die,  
27 mold, form, or pattern. The amount of the lien shall be for the  
28 entire unpaid contracted charges due from the owner for all  
29 products made with the die, mold, form, or pattern and for making  
30 the die, mold, form, or pattern. This lien shall not have  
31 priority over any security interest in the die, mold, form, or  
32 pattern which is perfected at the time the person acquires this  
33 lien."

34 Sec. 2. This act is effective upon ratification.

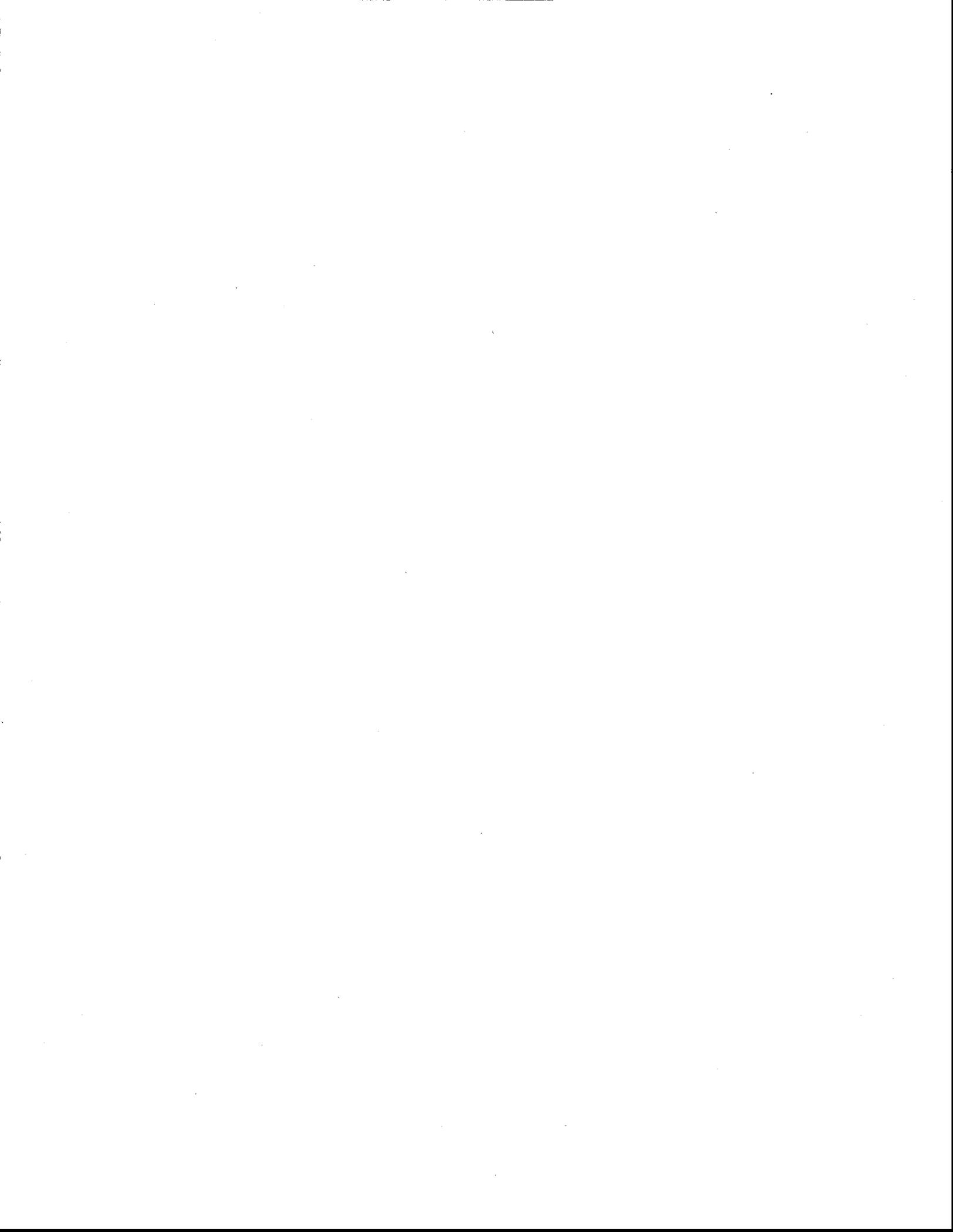
## SECTION BY SECTION ANALYSIS OF LEGISLATIVE PROPOSAL 1

### MOLD LIEN ACT

Section 1: This section amends G.S. 44A-2 which deals with possessory liens. It adds a new subsection (g) granting a possessory lien to persons who make dies, molds, forms, or patterns, or who use those items to make a product for another. The lien is against the die, mold, form, or pattern. The amount of the lien is for the unpaid contracted charges due for the making of the die, mold, form, or pattern, and the unpaid charges due for making whatever products are made from a die, mold, form, or pattern. The lien does not have priority over a previously perfected security interest.

Section 2: The act is effective upon ratification.

## **APPENDIX D**



APPENDIX D  
LEGISLATIVE PROPOSAL 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

D

96C-RLZ-003

THIS IS A DRAFT 25-MAR-96 12:15:09

ATTENTION: LINE NUMBERS MAY CHANGE AFTER ADOPTION

Short Title: Rental Equip. Liens.

()

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Sponsors:

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Referred to:

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1                                   A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE LIENS ON REAL PROPERTY FOR THE FURNISHING OF  
3 RENTAL EQUIPMENT.  
4 The General Assembly of North Carolina enacts:  
5           Section 1. G.S. 44A-7 reads as rewritten:  
6 "§ 44A-7. Definitions.  
7    Unless the context otherwise requires in this Article:  
8       (1) 'Improve' means to build, effect, alter, repair, or  
9       demolish any improvement upon, connected with, or  
10      on or beneath the surface of any real property, or  
11      to excavate, clear, grade, fill or landscape any  
12      real property, or to construct driveways and  
13      private roadways, or to furnish materials,  
14      including trees and shrubbery, for any of such  
15      purposes, or to perform any labor upon such  
16      improvements, and shall also mean and include any  
17      design or other professional or skilled services  
18      furnished by architects, engineers, land surveyors  
19      and landscape architects registered under Chapter  
20      83A, 89A or 89C of the General ~~Statutes.~~ Statutes,  
21      and rental of equipment directly utilized on the  
22      real property in making the improvement.

- 1 (2) 'Improvement' means all or any part of any  
2 building, structure, erection, alteration,  
3 demolition, excavation, clearing, grading, filling,  
4 or landscaping, including trees and shrubbery,  
5 driveways, and private roadways, on real property.
- 6 (3) An 'owner' is a person who has an interest in the  
7 real property improved and for whom an improvement  
8 is made and who ordered the improvement to be made.  
9 'Owner' includes successors in interest of the  
10 owner and agents of the owner acting within their  
11 authority.
- 12 (4) 'Real property' means the real estate that is  
13 improved, including lands, leaseholds, tenements  
14 and hereditaments, and improvements placed  
15 thereon."

16 Sec. 2. G.S. 44A-8 reads as rewritten:

17 "**§ 44A-8. Mechanics', laborers' and materialmen's lien; persons**  
18 **entitled to lien.**

19 Any person who performs or furnishes labor or professional  
20 design or surveying services or furnishes materials or furnishes  
21 rental equipment pursuant to a contract, either express or  
22 implied, with the owner of real property for the making of an  
23 improvement thereon shall, upon complying with the provisions of  
24 this Article, have a lien on such real property to secure payment  
25 of all debts owing for labor done or professional design or  
26 surveying services or material furnished or equipment rented  
27 pursuant to such contract."

28 Sec. 3. G.S. 44A-18 reads as rewritten:

29 "**§ 44A-18. Grant of lien; subrogation; perfection.**

30 Upon compliance with this Article:

- 31 (1) A first tier subcontractor who furnished ~~labor or~~  
32 ~~materials~~ labor, materials, or rental equipment at  
33 the site of the improvement shall be entitled to a  
34 lien upon funds which are owed to the contractor  
35 with whom the first tier subcontractor dealt and  
36 which arise out of the improvement on which the  
37 first tier subcontractor worked or furnished  
38 materials.
- 39 (2) A second tier subcontractor who furnished ~~labor or~~  
40 ~~materials~~ labor, materials, or rental equipment at  
41 the site of the improvement shall be entitled to a  
42 lien upon funds which are owed to the first tier  
43 subcontractor with whom the second tier  
44 subcontractor dealt and which arise out of the

- 1 improvement on which the second tier subcontractor  
2 worked or furnished materials. A second tier  
3 subcontractor, to the extent of his lien provided  
4 in this subdivision, shall also be entitled to be  
5 subrogated to the lien of the first tier  
6 subcontractor with whom he dealt provided for in  
7 subdivision (1) and shall be entitled to perfect it  
8 by notice to the extent of his claim.
- 9 (3) A third tier subcontractor who furnished ~~labor or~~  
10 ~~materials~~ labor, materials, or rental equipment at  
11 the site of the improvement shall be entitled to a  
12 lien upon funds which are owed to the second tier  
13 subcontractor with whom the third tier  
14 subcontractor dealt and which arise out of the  
15 improvement on which the third tier subcontractor  
16 worked or furnished materials. A third tier  
17 subcontractor, to the extent of his lien provided  
18 in this subdivision, shall also be entitled to be  
19 subrogated to the lien of the second tier  
20 subcontractor with whom he dealt and to the lien of  
21 the first tier subcontractor with whom the second  
22 tier subcontractor dealt to the extent that the  
23 second tier subcontractor is entitled to be  
24 subrogated thereto, and in either case shall be  
25 entitled to perfect the same by notice to the  
26 extent of his claim.
- 27 (4) Subcontractors more remote than the third tier who  
28 furnished ~~labor or material~~ labor, materials, or  
29 rental equipment at the site of the improvement  
30 shall be entitled to a lien upon funds which are  
31 owed to the person with whom they dealt and which  
32 arise out of the improvement on which they  
33 furnished ~~labor or material,~~ labor, materials, or  
34 rental equipment, but such remote tier  
35 subcontractor shall not be entitled to subrogation  
36 to the rights of other persons.
- 37 (5) The liens granted under this section shall secure  
38 amounts earned by the lien claimant as a result of  
39 his having furnished ~~labor or materials~~ labor,  
40 materials, or rental equipment at the site of the  
41 improvement under the contract to improve real  
42 property, whether or not such amounts are due and  
43 whether or not performance or delivery is complete.

1           (6) A lien upon funds granted under this section is  
2           perfected upon the giving of notice in writing to  
3           the obligor as provided in G.S. 44A-19 and shall be  
4           effective upon the obligor's receipt of the notice.  
5           The subrogation rights of a first, second, or third  
6           tier subcontractor to the lien of the contractor  
7           created by Part 1 of Article 2 of this Chapter are  
8           perfected as provided in G.S. 44A-23."  
9           Sec. 4. This act becomes effective July 1, 1996 and  
10          applies to lien rights that arise on or after that date.

## **SECTION BY SECTION ANALYSIS OF LEGISLATIVE PROPOSAL 2**

### **RENTAL EQUIPMENT LIENS**

Section 1: Section 1 amends G.S. 44A-7(1) by adding to the definition of "improve," as it applies to statutory liens on real property, rental equipment directly utilized on the real property in making an improvement.

Section 2: This section amends G.S. 44A-8, which describes persons entitled to a lien because of a contract with the owner of real property. Presently, this category includes those who furnish labor or material, or who furnish professional design or surveying services. The amendment adds persons who furnish rental equipment.

Section 3: This section amends G.S. 44A-18, which grants liens to various categories of subcontractors. Presently, subcontractors are entitled to a lien for furnishing labor or materials. The amendment provides for a lien for furnishing rental equipment.

Section 4: The act becomes effective July 1, 1996 and applies to lien rights that arise on or after that date.